

# FISCAL NOTE WORKSHEET (Revised Nov. 2006)

Agency: Utah State Office of Education  
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 Requested By

Bill Number HB 148

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Fax/Electronic Mail Transmittal

Date:	
Name:	
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Please return to Fiscal Analyst by: January 29, 2007

**TITLE OF BILL:** Education Vouchers

This Bill Takes Effect: ☐ On Passage ☐ On July 1 ☐ 60 Days after session ☒ Other Retro to 1-1  
 Bill Carries Own Appropriation: ☐

## FISCAL IMPACT OF PROPOSED LEGISLATION

### A. Revenue Impact by Source of Funds:

First Year

Second Year

	First Year	Second Year
1. General Fund		
2. Unifrom School Fund - Free Revenue		
3. Transportation Fund		
4. Collections		
5. Other Funds (List Below)		
6 Local Funds		
7. TOTAL	\$0	\$0

### B. Expenditure Impact by Source of Funds:

1. General Funds	\$10,214,000	\$11,898,000
2. Unifrom School Fund - Free Revenue		
3. Transportation Fund		
4. Collections		
5. Other Funds (List Below)		
6 Local Funds		
7. TOTAL	\$10,214,000	\$11,898,000

### C. Expenditure Impact Summary:

1. Salaries, Wages and Benefits <u>voucher administration</u>	\$300,000	\$300,000
2. Travel		
3. Current Expenses		
4. Capital Outlay		
5. Other (Specify) <u>vouchers</u>	\$9,914,000	\$11,598,000
6. TOTAL	\$10,214,000	\$11,898,000

### D. Impact in Future Years?

The cost of the program will grow steadily until it begins to level off about 11 years beyond the second year estimate when every private school student is issued automatically issued a voucher. Beyond the first year, assuming no change to private schooling -- other than an effective reduction in tuition price -- that makes it more attractive than it is now (Utah has the lowest rate of private schooling in the nation), the voucher will become essentially a subsidy for students who would have attended private school in any case.

**E. Identify Sections of the Bill That Will Generate the Additional Workload or Cost Increase**

This bill is very similar to last year's HB 184. The main difference with relevance to fiscal analysis is that this bill provides a smaller voucher at every level of income. See Section H for the impact on USOE administrative operations, which are stated or implied at many points throughout the bill.

**F. Expenditure Impact Details (*Ties to totals in Section C*)**

The entire methodology is given on the Model Calculator tab. The calculation of the Average Voucher Amount is detailed on its own tab. Assumptions related to the four key parameters of any adequate general model of the fiscal impact of an education voucher -- average private school tuition, average voucher amount, price elasticity of demand for private schooling, and private elasticity of supply of private schooling -- are explained in a separate narrative attachment ("Model Parameters"). The provision for mitigation payments for students switching from the public to the private sector is not relevant, except as an administrative nightmare (it requires the maintenance of "ghost" records in student information systems), since the state will expend money on such students in the absence of a voucher program anyway. Moreover, the incipient onslaught of the echo boomers will render any net outmigration from public schools invisible, so this bill cannot be justified on the basis of relieving enrollment pressure on public schools.

**G. No Fiscal Impact or Will Not Require Additional Appropriations?**

*Specify why this bill will have no fiscal impact on your agency or institution.*

*Specify how you will reallocate workloads, resources, or funding sources to eliminate need for additional appropriations. (USE ATTACHMENTS IF NECESSARY.)*

Not applicable.

**H. If Bill Carries It's Own Appropriation:**

The USOE will have to hire two new specialists and one secretary to administer the program efficiently. The amount explicitly appropriated for this purpose (\$100,000) is thus tripled. The administrative demands of this general voucher program will be much greater than those of the limited Special Needs voucher program, so the cost of administration is correspondingly greater: there will be more participating students by several orders of magnitude, and each must reapply every year as opposed to every three years with the Special Needs voucher.

**I. Impact on Local Governments, Businesses, Associations, and Individuals**

Local School Districts/Charter Schools: Because the voucher program as designed is based on self selection and will only shift a tiny fraction of students from the public to the private sector, its impact is likely to be obscure, except perhaps in a few highly localized areas. Empirical evidence from studies of existing voucher programs, none of which are similar in setting, is mixed on whether vouchers lead to demographic segregation.

Businesses and Associations: Some private schools will have the option of enrolling more students than they would normally expect to. Some entrepreneurs might be induced to open private schools. The relatively much smaller amount of the voucher compared to the current level of MSP support makes it unlikely that any charter school would convert to the private sector, unless it wants to avoid regulation.

Individuals: Many families will save some of the cost of private school tuition. This will probably induce some families to choose private schooling who would not otherwise do so, especially in the short run as a release of pent up demand.

Narrative Description of Bill: This bill specifies criteria for qualifying for a scholarship; specifies criteria for private schools to enroll scholarship students; specifies the amount, timing, and form of scholarship payments; requires the State Board of Education to make rules; gives the State Board of Education enforcement authority; requires the Legislature to annually appropriate money from the General Fund for scholarship payments; allows a school district to retain in enrollment a student that transfers to a private school for a period of five years, with a deduction equal to the average scholarship amount; and allows the State Board of Education to transfer unused scholarship monies to the Minimum School Program.